

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 CAB-02 CIAE-00 DODE-00
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R 261230Z MAY 78
FM AMEMBASSY LUXEMBOURG
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AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY REYKJAVIK

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E.O. 11652: N/A
TAGS: BEXP LU
SUBJECT: POSSIBILITY OF SEABOARD WORLD AIRLINES RE-
OPENING OPERATIONS IN LUXEMBOURG

1. ON MAY 25 MR. JOHN H. MAHONEY, SEABOARD WORLD AIRLINES' SENIOR VICE PRESIDENT FOR SALES, AND MR. A.B. HUBBS, VICE PRESIDENT AND GENERAL MANAGER FOR EUROPE, CALLED ON ME TO DISCUSS SEABOARD'S PLANS FOR REESTABLISHING OPERATIONS IN LUXEMBOURG. THEY EXPLAINED THAT SEABOARD HAD OPERATED CHARTER FREIGHT FLIGHTS IN AND OUT OF LUXEMBOURG DURING THE 1950'S AND EARLY 1960'S BUT TERMINATED THEIR LUXEMBOURG OPERATIONS IN 1962. AT THAT TIME SEABOARD TRANSFERRED ITS OFFICES TO FRANKFURT WHERE MR. HUBBS IS PRESENTLY LOCATED.

2. MR. HUBBS SAID SEABOARD HAS FILED A PETITION WITH THE CAB REQUESTING AUTHORIZATION FOR FREIGHT AND LIMITED OFFICIAL USE

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PASSENGER SERVICES TO LUXEMBOURG, AMONG OTHER EUROPEAN CITIES. IF THE CAB DECISION IS FAVORABLE, SEABOARD HOPES TO OPERATE A COMBINED FREIGHT AND PASSENGER SERVICE NON-STOP FROM NEW YORK TO LUXEMBOURG, AND POSSIBLY FROM OTHER AMERICAN CITIES AS WELL. HUBBS SAID SEABOARD ENVISAGES DAILY BOEING 747 FLIGHTS CARRYING BOTH PASSENGERS AND FREIGHT. PASSENGER CAPACITY WOULD

BE FLEXIBLE SO THAT ANY GIVEN AIRPLANE COULD CARRY BETWEEN 60 AND 250 PASSENGERS. HUBBS SAID SEABOARD COULD OFFER AN EXTREMELY LOW-COST PASSENGER SERVICE BECAUSE IT WOULD COMPLEMENT ITS FREIGHT SERVICES.

3. HUBBS AND MAHONEY WERE IN TOUCH WITH MR. PIERRE HAMMER, A SENIOR COUNSELOR AT THE GOL MINISTRY OF TRANSPORT, WHO WAS ASSOCIATED WITH SEABOARD WHEN IT OPERATED OUT OF LUXEMBOURG. THEY EXPLAINED TO HANNER THAT CAB PROCEEDINGS WOULD TAKE AT LEAST ONE YEAR AND THAT THE PURPOSE OF THEIR VISIT AT THIS TIME WAS TO DETERMINE THE GOL'S ATTITUDE ABOUT THE POSSIBILITY OF SEABOARD RETURNING TO LUXEMBOURG. THEY SAID HAMMER WAS MODERATELY ENCOURAGING; THAT HE EXPLAINED THAT THE GOL AND LUXEMBOURG PRIVATE INTERESTS HAVE ONLY MINORITY PARTICIPATION IN THE THREE MAJOR CARRIERS PRESENTLY OPERATING OUT OF LUXEMBOURG, THAT IS, ICELANDIC, LUXAIR AND CARGOLUX, AND ARE NOT, THEREFORE, TOTALLY COMMITTED TO PROTECTING THEM FROM OUTSIDE COMPETITION. HAMMER ADDED THAT ICELANDIC'S PASSENGER SERVICE IS SUFFERING FROM LOW FARE TRANSATLANTIC COMPETITION AND HE PREDICTED GOL INTEREST IN SEABOARD'S RETURNING. ACCORDING TO HUBBS AND MAHONEY, HAMMER ADVISED THEM TO KEEP A "LOW PROFILE" AND PROMISED THAT HE WOULD DISCREETLY BEGIN EXPLORING SEABOARD'S PROSPECTS IN LUXEMBOURG WITH APPROPRIATE GOL MINISTERS.

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4. I EXPLAINED TO HUBBS AND MAHONEY THAT THE EMBASSY WAS PREPARED TO ASSIST THEM IN ANY APPROPRIATE WAY IF THE CAB RULING IS FAVORABLE. I ALSO ADVISED THEM THAT ONE OF THEIR STRONGEST SELLING POINTS AT THIS TIME IS THE POSSIBILITY OF SEABOARD'S CREATING AN ADDITIONAL 50-60 NEW JOBS IN LUXEMBOURG. THEY PROMISED TO STAY IN TOUCH AS DISCUSSIONS AND NEGOTIATIONS PROCEED.

5. COMMENT: IF SEABOARD IS ABLE TO RENEW OPERATIONS IN LUXEMBOURG ALONG THE LINES INDICATED ABOVE, ITS PASSENGER SERVICE WOULD BE EXTREMELY COMPETITIVE WITH ICELANDIC AIRLINES. ICELANDIC HAS BEEN OPERATING NON-IATA LOW FARE FLIGHTS FROM NEW YORK AND CHICAGO TO LUXEMBOURG VIA REYKJAVIK FOR OVER 20 YEARS AND, WE UNDERSTAND, ICELAND'S ABILITY TO MAINTAIN A NATIONAL CARRIER IS BASED LARGELY ON THE SUCCESS OF THIS SERVICE. A DIRECT, SCHEDULED, LOW-FARE NEW YORK-LUXEMBOURG SEABOARD PASSENGER SERVICE COULD WELL DRIVE ICELANDIC OUT OF THE TRANSATLANTIC PASSENGER BUSINESS. SEABOARD'S RE-ENTRY INTO LUXEMBOURG COULD, THEREFORE, HAVE POLITICAL AS WELL AS ECONOMIC REPERCUSSIONS IN BOTH LUXEMBOURG AND REYKJAVIK.

LOWENSTEIN

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